

To: Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

From: Theodore H. Kreinik, CPA
3 Cadey Lane
Newtown, CT 06470

Re: Docket No. R-1305

December 24, 2007

Dear Governors,

Last week, I was able to watch the Board meeting on CSPAN and decided to follow up and download your report on Regulation Z. I appreciate the spirit and content of the report and also appreciated being able to hear the presentations by Governors and staff at the televised meeting. I hope you provide such direct viewing in the future, as you deem helpful to the public.

After reading the report, I would like to share some suggestions. These thoughts are in part based on my background as the owner of a local CPA firm with both commercial and individual clients. I have been in private practice since 1984 in Connecticut and am a Past President of the Connecticut Society of CPA's and a past member of Council of the America Society of CPA's. My comments are directly related to my experience assisting clients with their financial affairs including mortgage lending. While the vast majority of my clients would be considered "conforming, prime" borrowers, from time to time I have had occasion to advise borrowers who may have to or desire to consider Alt-A or sub-prime loan relationships.

My comments are primarily directed to advertising and disclosures and in some cases, would apply to all borrowing rather just sub-prime situations.

1. Many borrowers have a difficult time just reading let alone understanding the text of the loan documents and required disclosures. I would apply the following to ALL lending documents and not just for those relating to Alt-A or Sub-prime lending. (In contrast to the suggestion in the first paragraph of Section D on page 25.) Retirees are evaluating reverse mortgages very frequently and excluding them is just asking for another crisis in a few years as "Boomers" retire. While clients ask me for assistance, it would be very helpful for everyone if:
 - a. All documents use 12-font type along with a typeface like Arial. I am using both in this response as I have found the combination easy to read. This is very important to my older clients who cannot see as well when 10 fonts Times New Roman is used (please note example).
 - b. I would also suggest using **Bolding**, UPPER CASE *and/or Italics* whenever rates, fees, yield spread premiums and penalties are provided in a document. This will help

disclose important information. Both item a and b may help with the Board proposal in the second paragraph of the Overview on page 79 and the first paragraph on page 80. Both items would also support the “clear and conspicuous standard” desired on pages 81 and 82. Both would be in contravention of the suggestions on pages 90 and 95 regarding type size and prominence. People really miss this information when it is undifferentiated and everyone is rushed.

- c. I would also suggest using the “grade level” readability score built into a word processing program such as MS Word to ensure the level is appropriate. For example, based on the words chosen for this document, a grade 12 level was indicated.
2. In order to assist in your proposed effort to provide transparency of all disclosures and advertisements, I would require ALL lenders to place their advertisements and blank related documents and forms (in PDF form) as they provide them to potential borrowers on your website. Only blank forms without any confidential personal information of borrowers would be included. Thus, not only could borrowers download the necessary information but federal and state agencies and private consumer groups could review and access the information and use the openness of the free market to identify, follow-up and publicize situations before they become problems and issues. You could require such information to be added to the website 24 hours before or at least concurrently with information provided to the public. This will also allow federal and state agencies and private consumer groups interested in monitoring this information a cost effective way to do so and respond in a timely and accurate fashion. Using the Internet would minimize the cost of collecting, reviewing and providing this information to all involved. And it would be a great equalizer. In the same manner as gas stations post their prices for all to see. Or as car dealers who post their MSRP's and more on such Internet sites as Kelly Blue Book and Edmunds. (Please refer to pages 6, 10 and 14 regarding disclosures.
 3. The reference to “three days” in on page 7 Section C could be adjusted to reflect “three business days” referred to on the first paragraph on page 105.
 4. On page 20, it is suggested that a reasonable period would be 60 days before reset. However, based on past experience collecting information needed to respond to information required to respond to probable changes to rates would suggest a slightly longer period such as 60 business days or 90 calendar days. Two years ago, the Internal Revenue Service extended its tax return extension from 4 to 6 months and that has proven very beneficial to all as well as a cost and time saver.
 5. The problem noted on page 51 for the self-employed is very real. During the first year someone is self-employed there are no tax returns and those from prior years may shed little or no light on how the individual proprietor or the individual partner is doing. It is only after the first Schedule C Form 1040 or Schedule K-1 Form 1065 is filed that the results are reported. Also, it is only until the first Form 1120 or Form 1120S is filed that the shareholders wages may be known. Also, the Schedule C Form 1040 does not have a balance sheet so that information on assets and liabilities are not disclosed and reported. You may need other sources of information particularly relating to the cash flow of the business in order to meet this information requirement.

Also as noted on page 18, industry representatives supported improving mortgage disclosures and items 1 and 2 above could assist in meeting their desire to help the industry avoiding abuses. Easy to read and Internet ready Pdf's would not reduce access to credit as some witnesses noted on page 19. The difficulty in setting a standard as to whether a practice is unfair and deceptive as is noted in the second paragraph on page 21 and the first paragraph on page 22 would be reduced with this openness and transparency as a broadened free market would have some ability to curb such practices on individual lenders exposed to "fresh air and openness".

This openness would also help protect borrowers by applying protections based on loan characteristics rather than borrower characteristics. In addition, the loan characteristics would be open for all to see while borrower characteristics would be confidential to the transaction.

I really appreciate the work the staff has done in preparing this report. We need action and we need it quickly as people who can't pay their mortgages and abandon their homes affect everyone else's home as well and affect the stability of our local property tax bases.

Thank you very much for the opportunity to participate in a small way in this effort. Please feel free to contact me if you have nay questions.

Best regards,

Theodore H. Kreinik, CPA
Newtown, CT